

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5326 S SB S.3607.1	<b>Title:</b> School bus driver benefits
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## Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI				4,710,000		9,750,000
Local Gov. Other						
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Superintendent of Public Instruction	.0	0	0	0	.0	4,710,000	4,710,000	4,710,000	.0	9,750,000	9,750,000	9,750,000
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>4,710,000</b>	<b>4,710,000</b>	<b>4,710,000</b>	<b>0.0</b>	<b>9,750,000</b>	<b>9,750,000</b>	<b>9,750,000</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI						4,710,000			9,750,000
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Superintendent of Public Instruction	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3973	<b>Date Published:</b> Final 1/25/2022
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5326 S SB S.3607.1	<b>Title:</b> School bus driver benefits	<b>Agency:</b> 350-Superintendent of Public Instruction
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
<b>Account</b>					
General Fund-State 001-1	0	0	0	4,710,000	9,750,000
<b>Total \$</b>	0	0	0	4,710,000	9,750,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate ) , are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/13/2022
Agency Preparation: TJ Kelly	Phone: 360 725-6301	Date: 01/25/2022
Agency Approval: Michelle Matakas	Phone: 360 725-6019	Date: 01/25/2022
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/25/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 provides the following conditions for a school district to enter a pupil transportation services contract with a nongovernmental entity if that entity provides the following to, or on behalf of, employees who choose to opt into benefit coverage:

- a) An employer health benefits contribution equal to the employer payment dollar amount in effect for the first year of the contract for health benefit rates, published annually by the health care authority, for the school employees' benefits board program for school employees; and
- b) An amount equivalent to the salaries of the employees of the private nongovernmental entity multiplied by the employer normal cost contribution rate determined under the entry age cost method for the school employees' retirement system as published in the most recent actuarial valuation report from the office of the state actuary for the first year of the contract.

Subsection 2(a) of this section applies only to pupil transportation service contract for which the request for the proposals begins after the effective date of this section and no earlier than for a contract affecting the 2023-24 school year.

All pupil transportation service contracts entered or modified after the effective date of this section must include a detailed explanation of any contract cost increase by year, expenditure type, and amount, including any increases in cost that result from providing the benefits required under this section.

"Employee" is defined as a bus, van, or shuttle driver, monitor, mechanic, or dispatcher who works sufficient compensated hours for the nongovernmental entity performing services on the contract with the school district to meet the eligibility requirements that apply to school employees for benefits in the school employees' retirement system and the school employees' benefit board program.

Section 3 defines an eligible school district for supplemental transportation allocations described in this section as one that experiences an increase in costs to a pupil transportation service contract as compared to the prior year because of the provisions in RCW 28A.160.140.

Beginning September 1, 2023, school districts that provide pupil transportation through a contract must annually provide OSPI with the following:

A breakdown of the total contract increase, including a detailed explanation of the increase by expenditure type demonstrating dollar equivalency, and percentage equivalency, as defined by OSPI.

A break down of contractor cost related to providing health care and pension benefits to employees prior to the effective date of this section and the cost after the implementation of the benefits.

The amount of funding received through transportation allocations prior to the implementation of school employee benefits and the amount of funding received through the same transportation allocations for the period immediately following the implementation of school employee benefits.

OSPI must reimburse a school district for the increased cost that is directly attributable to increased benefits as required under this act, using the following formula: Total contract cost increase, less any amounts not attributable to the benefits required under RCW 28A.160.140, less the amount the allocation was increased based on the actual cost increase through the transportation funding formula.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation ), identifying by section number the provisions of the legislation that result in the expenditures (or savings ). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .*

The estimated state cost of this bill is outlined in table 1 of the attached document. Due to the timing of the bill, the first year of state cost impact is FY2025.

To arrive at those costs, OSPI used data and assumptions provided via school districts in the state that contract for to-from pupil transportation services.

The first component of cost is the differential between the full SEBB rate per eligible individual and the benefit rate currently covered in the contract.

OSPI assumes approximately 1,200 individuals provide services via a student transportation contract.

Data reported from one of the largest contractors indicates that approximately 30% of staff accept benefits, with the remaining 70% either deferring or not eligible. The approximate percentages were applied to the 1,200 individuals to come up with estimates of 385 employees currently covered and 815 currently ineligible for or deferring benefits. OSPI acknowledges that not every employee will be eligible for or elect to accept benefits. Our assumption in the fiscal note is to show the maximum possible fiscal impact.

Recent data shows that the average employer contribution for benefits per employee is \$275.82 per month.

The current monthly SEBB rate is \$1,017.

For the purposes of this fiscal note OSPI assumed an annual inflation rate of 2.75%, which is applied to both the employer contribution rate and the monthly SEBB rate for future years of calculations.

Table 2 of the attached shows the estimated cost increase due to the SEBB health benefit rate assuming that all contractors were required to comply immediately. Actual cost of the bill in the initial years is less since districts only need to comply as their current contracts are renewed passed the existing expiration dates.

The second component of cost is retirement rates based on the following assumptions.

The average monthly salary of the 1,200 employees for the current year is \$2,506. This monthly salary figure is inflated by 2.0% on an annual basis for the purposes of this fiscal note.

The SERS normal cost rate of 6.45% is based on the 2019 member and employer minimum SERS contribution rate is 4.72%. This rate is equal to 80% of the Entry Age normal cost rate, which yields the following calculations  $4.72\% / 0.8 = 5.90\%$ . OSPI assumes that rate would increase to approximately 6.45%. This rate remains constant throughout the years of this fiscal note.

OSPI assumes the average annual base salary of \$2,506 for fiscal year 2022, so the total estimated cost is (\$2,506 times 6.45% times 1,200 employees times 12 months per year) \$2,328,000.

Annual cost by fiscal year of this component is shown in table 3 of the attachment.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	0	0	4,710,000	9,750,000
Total \$			0	0	0	4,710,000	9,750,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services				4,710,000	9,750,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	4,710,000	9,750,000

III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA  
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods  
NONE

IV. D - Capital FTE Detail: List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB

NONE

Part V: New Rule Making Required

Table 1 - SSB 5326 - Fiscal Impact\*

State Fiscal Year	2024	2025	2026	2027	2028	2029
State Cost (GF-S)	\$ -	\$ 4,710,000	\$ 4,870,000	\$ 4,880,000	\$ 6,790,000	\$ 16,170,000
Biennium	2023-25		2025-27		2027-29	
State Cost (GF-S)	\$ 4,710,000		\$ 9,750,000		\$ 22,960,000	

\*State cost equals school district revenue and expenditures.

A		B		C		D		E		F		G	
Table 2 - Estimated Cost Increase Due to SEBB Health Benefit Rate													
FY	Assumed Monthly SEBB Rate	Current Monthly Rate	PEPM Cost Increase	Employees Currently Covered	Employees Not Currently Covered	Est. Cost increase	SEBB Rate Inflation						
Calculation	n/a	n/a	(A-B)	n/a	n/a	(C*D*12)+(A*E*12)							
FY22	\$ 1,017.00	\$ 275.82	\$ 741.18	385	815	\$ 13,370,512	2.75%						
FY23	\$ 1,044.97	\$ 283.41	\$ 761.56	385	815	\$ 13,738,201	2.75%						
FY24	\$ 1,073.70	\$ 291.20	\$ 782.51	385	815	\$ 14,116,001	2.75%						
FY25	\$ 1,103.23	\$ 299.21	\$ 804.02	385	815	\$ 14,504,191	2.75%						
FY26	\$ 1,133.57	\$ 307.43	\$ 826.13	385	815	\$ 14,903,056	2.75%						
FY27	\$ 1,164.74	\$ 315.89	\$ 848.85	385	815	\$ 15,312,891	2.75%						
FY28	\$ 1,196.77	\$ 324.58	\$ 872.20	385	815	\$ 15,733,995	2.75%						
FY29	\$ 1,229.68	\$ 333.50	\$ 896.18	385	815	\$ 16,166,680	2.75%						

	A	B	C	D	E
Table 3 - Estimated Cost Increase Due to Employee Retirement Benefits					
FY	Average Monthly Base Salary	SERS Normal Cost Rate	Estimated Employees	Estimated Cost Increase	Assumed Salary Inflation
Calculation	n/a	n/a	n/a	(A*B*C*12)	n/a
FY22	\$ 2,506.18	6.45%	1,200	\$ 2,327,742	2.00%
FY23	\$ 2,556.31	6.45%	1,200	\$ 2,374,297	2.00%
FY24	\$ 2,607.43	6.45%	1,200	\$ 2,421,782	2.00%
FY25	\$ 2,659.58	6.45%	1,200	\$ 2,470,218	2.00%
FY26	\$ 2,712.77	6.45%	1,200	\$ 2,519,622	2.00%
FY27	\$ 2,767.03	6.45%	1,200	\$ 2,570,015	2.00%
FY28	\$ 2,822.37	6.45%	1,200	\$ 2,621,415	2.00%
FY29	\$ 2,878.82	6.45%	1,200	\$ 2,673,843	2.00%

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5326 S SB S.3607.1	<b>Title:</b> School bus driver benefits	<b>Agency:</b> SDF-School District Fiscal Note - SPI
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
School District Local-Private/Local NEW-7				4,710,000	9,750,000
<b>Total \$</b>				4,710,000	9,750,000

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
<b>Account</b>					
School District Local-Private/Local New-7	0	0	0	4,710,000	9,750,000
<b>Total \$</b>	0	0	0	4,710,000	9,750,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate ) , are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/13/2022
Agency Preparation: TJ Kelly	Phone: (360) 725-6301	Date: 01/25/2022
Agency Approval: Michelle Matakas	Phone: 360 725-6019	Date: 01/25/2022
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/25/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 2 provides the following conditions for a school district to enter a pupil transportation services contract with a nongovernmental entity if that entity provides the following to, or on behalf of, employees who choose to opt into benefit coverage:

- a) An employer health benefits contribution equal to the employer payment dollar amount in effect for the first year of the contract for health benefit rates, published annually by the health care authority, for the school employees’ benefits board program for school employees; and
- b) An amount equivalent to the salaries of the employees of the private nongovernmental entity multiplied by the employer normal cost contribution rate determined under the entry age cost method for the school employees’ retirement system as published in the most recent actuarial valuation report from the office of the state actuary for the first year of the contract.

Subsection 2(a) of this section applies only to pupil transportation service contract for which the request for the proposals begins after the effective date of this section and no earlier than for a contract affecting the 2023-24 school year.

All pupil transportation service contracts entered or modified after the effective date of this section must include a detailed explanation of any contract cost increase by year, expenditure type, and amount, including any increases in cost that result from providing the benefits required under this section.

“Employee” is defined as a bus, van, or shuttle driver, monitor, mechanic, or dispatcher who works sufficient compensated hours for the nongovernmental entity performing services on the contract with the school district to meet the eligibility requirements that apply to school employees for benefits in the school employees’ retirement system and the school employees’ benefit board program.

Section 3 defines an eligible school district for supplemental transportation allocations described in this section as one that experiences an increase in costs to a pupil transportation service contract as compared to the prior year because of the provisions in RCW 28A.160.140.

Beginning September 1, 2023, school districts that provide pupil transportation through a contract must annually provide OSPI with the following:

- A breakdown of the total contract increase, including a detailed explanation of the increase by expenditure type demonstrating dollar equivalency, and percentage equivalency, as defined by OSPI.
- A break down of contractor cost related to providing health care and pension benefits to employees prior to the effective date of this section and the cost after the implementation of the benefits.

The amount of funding received through transportation allocations prior to the implementation of school employee benefits and the amount of funding received through the same transportation allocations for the period immediately following the implementation of school employee benefits.

OSPI must reimburse a school district for the increased cost that is directly attributable to increased benefits as required under this act, using the following formula: Total contract cost increase, less any amounts not attributable to the benefits required under RCW 28A.160.140, less the amount the allocation was increased based on the actual cost increase through the transportation funding formula.

II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

School district revenue equal to state expenditures.



II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation ), identifying by section number the provisions of the legislation that result in the expenditures (or savings ). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

School district expenditures equal to school district revenue.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
New-7	School District Local	Private/Local	0	0	0	4,710,000	9,750,000
Total \$			0	0	0	4,710,000	9,750,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services				4,710,000	9,750,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	4,710,000	9,750,000

III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

## **Part V: New Rule Making Required**

Table 1 - SSB 5326 - Fiscal Impact\*

State Fiscal Year	2024	2025	2026	2027	2028	2029
State Cost (GF-S)	\$ -	\$ 4,710,000	\$ 4,870,000	\$ 4,880,000	\$ 6,790,000	\$ 16,170,000
Biennium	2023-25		2025-27		2027-29	
State Cost (GF-S)	\$ 4,710,000		\$ 9,750,000		\$ 22,960,000	

\*State cost equals school district revenue and expenditures.

A		B		C		D		E		F		G	
Table 2 - Estimated Cost Increase Due to SEBB Health Benefit Rate													
FY	Assumed Monthly SEBB Rate	Current Monthly Rate	PEPM Cost Increase	Employees Currently Covered	Employees Not Currently Covered	Est. Cost increase	SEBB Rate Inflation						
Calculation	n/a	n/a	(A-B)	n/a	n/a	(C*D*12)+(A*E*12)							
FY22	\$ 1,017.00	\$ 275.82	\$ 741.18	385	815	\$ 13,370,512	2.75%						
FY23	\$ 1,044.97	\$ 283.41	\$ 761.56	385	815	\$ 13,738,201	2.75%						
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FY25	\$ 1,103.23	\$ 299.21	\$ 804.02	385	815	\$ 14,504,191	2.75%						
FY26	\$ 1,133.57	\$ 307.43	\$ 826.13	385	815	\$ 14,903,056	2.75%						
FY27	\$ 1,164.74	\$ 315.89	\$ 848.85	385	815	\$ 15,312,891	2.75%						
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	A	B	C	D	E
Table 3 - Estimated Cost Increase Due to Employee Retirement Benefits					
FY	Average Monthly Base Salary	SERS Normal Cost Rate	Estimated Employees	Estimated Cost Increase	Assumed Salary Inflation
Calculation	n/a	n/a	n/a	(A*B*C*12)	n/a
FY22	\$ 2,506.18	6.45%	1,200	\$ 2,327,742	2.00%
FY23	\$ 2,556.31	6.45%	1,200	\$ 2,374,297	2.00%
FY24	\$ 2,607.43	6.45%	1,200	\$ 2,421,782	2.00%
FY25	\$ 2,659.58	6.45%	1,200	\$ 2,470,218	2.00%
FY26	\$ 2,712.77	6.45%	1,200	\$ 2,519,622	2.00%
FY27	\$ 2,767.03	6.45%	1,200	\$ 2,570,015	2.00%
FY28	\$ 2,822.37	6.45%	1,200	\$ 2,621,415	2.00%
FY29	\$ 2,878.82	6.45%	1,200	\$ 2,673,843	2.00%